

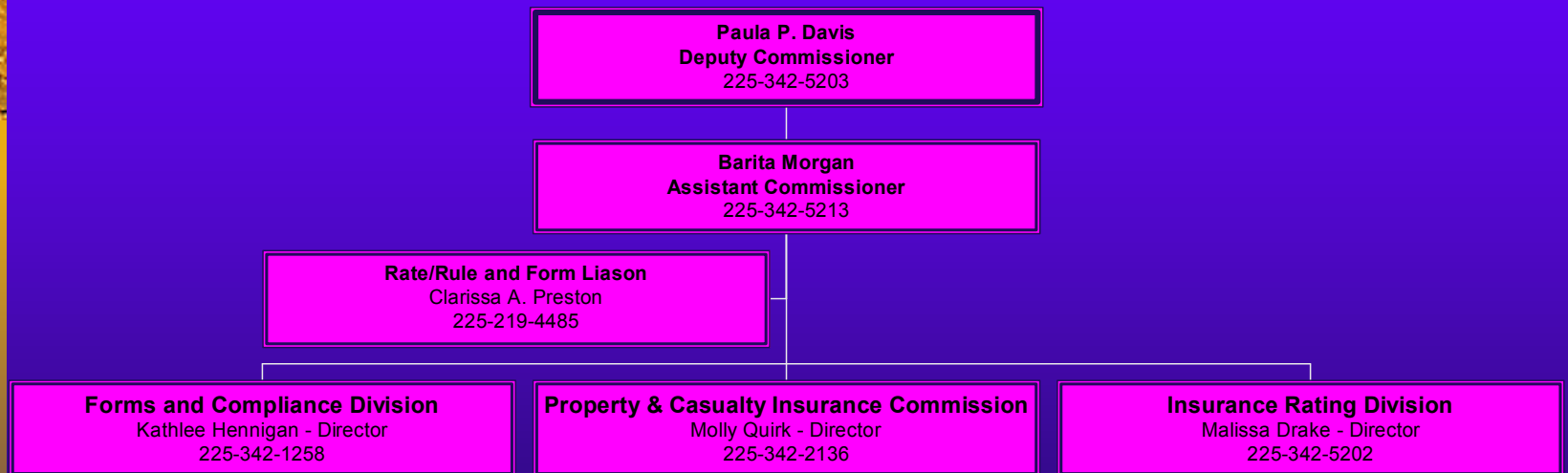
Louisiana Department of Insurance



J. Robert Wooley
Acting Commissioner



Office of Property & Casualty

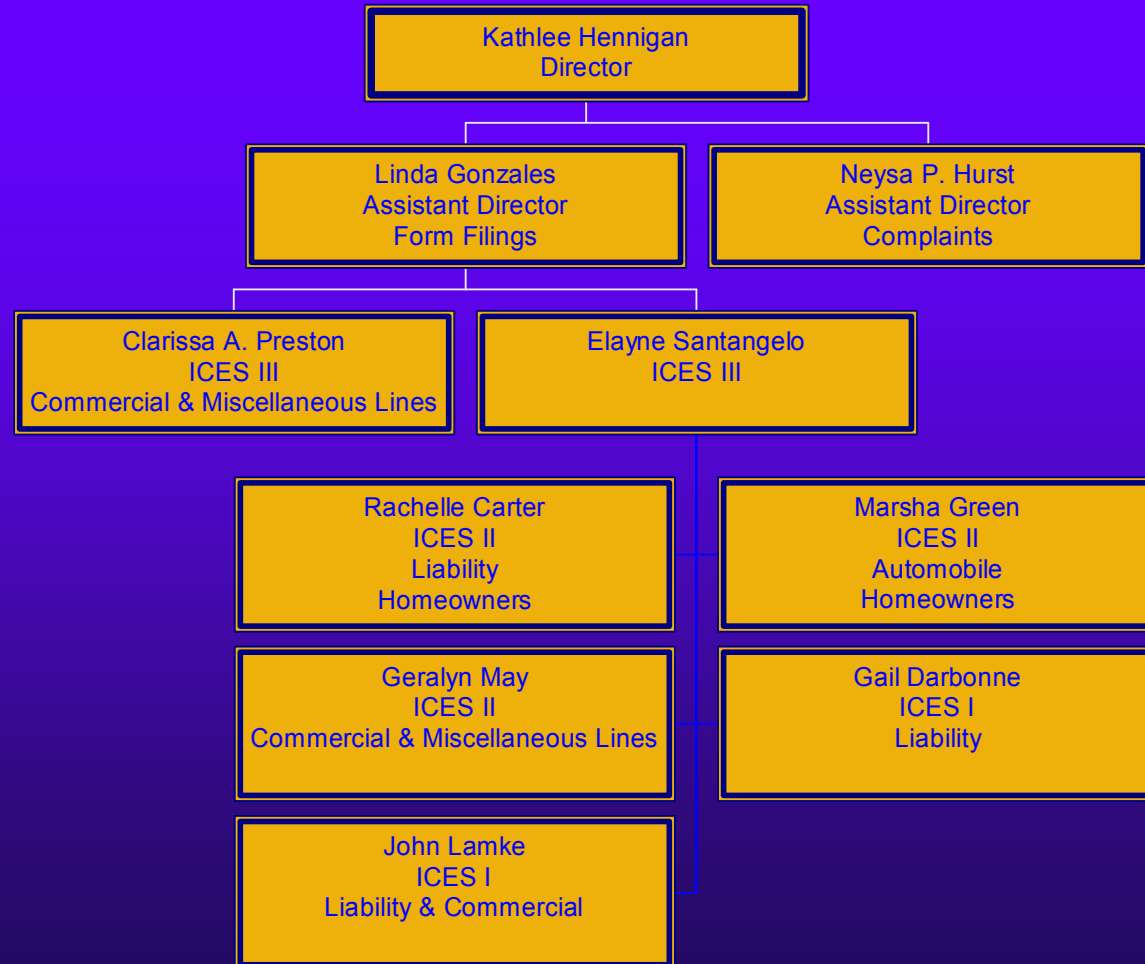




Form Filing Session

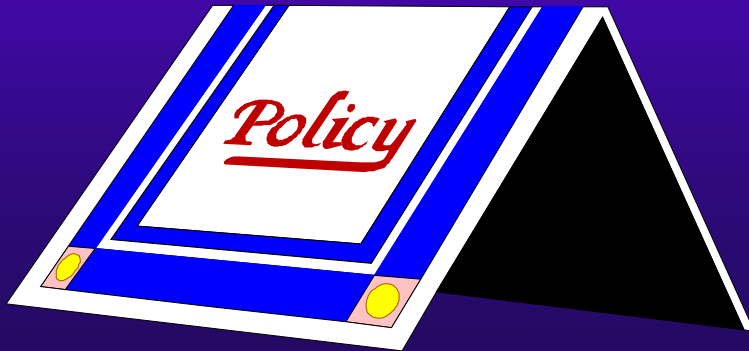


Filings and Compliance Division





Form Filing Requirements





Filing Fees

- ◆ \$2.00
- ◆ Per Company
- ◆ Per Printed Side of Page
- ◆ No fees for cover letter or memorandum



Submit filings to:

- ◆ Paula P. Davis
Deputy Commissioner
- ◆ Office of Property & Casualty
- ◆ Attention: Forms and Compliance
- ◆ Post Office Box 94214
- ◆ Baton Rouge, LA 70804-9214



THE FILING

- ◆ The filing should contain a cover letter or memorandum with sufficient information for us to determine the purpose of the filing and the expected date of implementation. Side by side comparisons are helpful but are not specifically required.



If you are utilizing any ISO
amendatory endorsements please
include that information in your
cover letter.



NOTE:

The inclusion of information concerning previously approved amendatory endorsements should result in fewer filings receiving disapproval, for something that may have already been corrected by an amendatory endorsement.



RESPONSE TIME

- ◆ Companies have 30 days to respond to correspondence from the Department. After the 30 days the filing will be abandoned and the company must resubmit the filing.



DEEMING

- ◆ Every filing must be made not less than 45 days in advance of the issuance, use or delivery.
- ◆ At the expiration of the 45 days a form may be deemed approved in the absence of prior action.



Form Filers Handbook

- ◆ More detailed information on the filing process
- ◆ Includes Most Common Disapproval Reasons
- ◆ Directives
- ◆ Advisory Letters
- ◆ Other useful information



The handbook can also
be found on our website
at www.idi.la.gov

THE DEPARTMENT OF INSURANCE HAS AN OPEN DOOR POLICY





Why are Forms Regulated?

- ◆ The reason that policy forms are regulated is because they are adhesionary contracts. To equalize the equation somewhat, insurance contracts are regulated by the state.



WHY

DO WE REVIEW ?

THE SIMPLE ANSWER IS:

BECAUSE THE LAW REQUIRES
THAT WE DO SO.



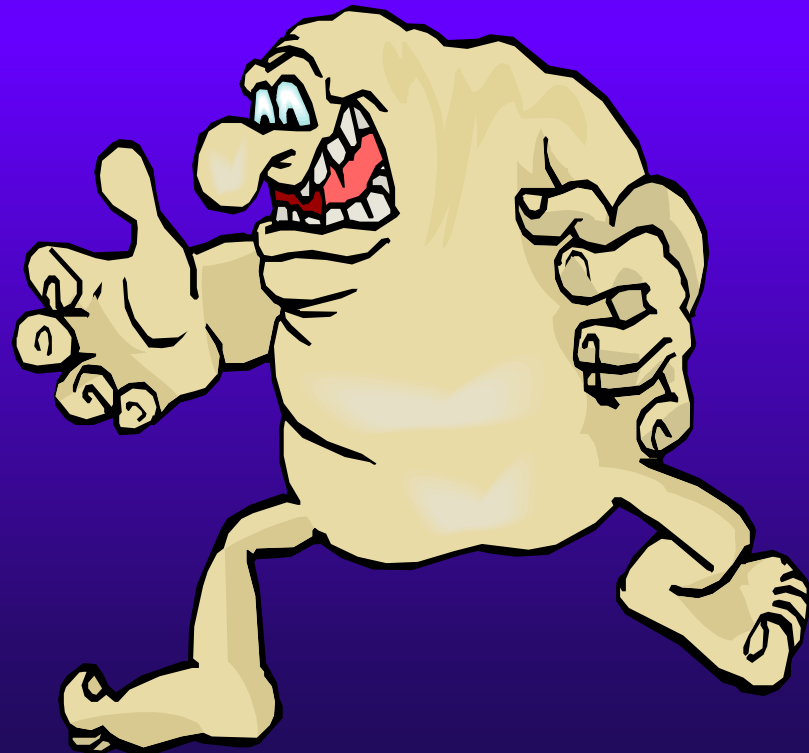
REVIEW STANDARDS

- ◆ Law
- ◆ Public Policy as determined by the courts and the Commissioner of Insurance
- ◆ Reasonable expectations of the policyholder



REASONS FOR DISAPPROVAL

**“THE
BLURBS”**





Top ~~10~~ 12 Disapproval Reasons



Number 12

Uninsured Motorist



Uninsured Motorist

- ◆ All insurance companies doing business in Louisiana must offer uninsured motorist coverage to an insured under the provisions of any policy, when it covers liability arising out of the ownership, maintenance, or use of any motor vehicle.



Number 11

Overly Broad



OVERLY BROAD

- ◆ Policies that contain the following language will be disapproved:
- ◆ “We will not pay for loss or damage caused directly or indirectly by any of the following. All loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.”



Number 10

Express or Implied
Permission




Express or Implied Permission

Public policy for omnibus coverage in Louisiana requires that an insurance policy cover any person using a vehicle with the express or implied permission of the insured. There is no requirement that the driver have a reasonable belief that he is entitled to use the vehicle. The words express or implied should be substituted for reasonable belief. (LRS 32:900)



Number 9

Consent to Settle



Suit or Settlement without Consent (UM & Med Pay)

- ◆ An exclusion of coverage to an insured that has settled or sued without the consent of the insurer conflicts with Louisiana jurisprudence. The Louisiana Supreme Court has determined that such clauses are invalid and without binding effect.



Number 8

Subrogation



Subrogation

- ◆ An insurer's interest in the recovery of payments is subordinate to the full recovery of damages by the injured person. See LA Civil Code Article 1826. Language that requires the insured to first make a dollar reimbursement or to hold money in trust is not approvable.



Number 7

Cancellation



Cancellation

- ◆ The Louisiana Insurance Code (Title 22) contains specific requirements for notice of cancellation and nonrenewal of property and casualty policies. For certain types of insurance, cancellation is allowed only for the reasons permitted by statute.



Number 6

Premium Return



Premium Return

- ◆ LRS 22:637.B. provides that within 30 days following cancellation by the insured, the insurer shall pay the insured any unearned portion of any premium paid on the policy “as computed on the customary short rate or as otherwise specified in the policy.”



Number 5

Innocent Co-insured



Innocent Co-insured

- ◆ LRS 22:691 mandates the use of the term “the insured” in a fire policy, including a homeowners policy.



Number 4

Loss Payment



Loss Payment

- ◆ Under LRS 22:658, an insurer is required to pay the amount of any claim due to an insured within thirty days after receipt of satisfactory proof of loss from the insured or any party in interest.



Number 3

Deductibles and Self-Insured Retentions



Deductible

- ◆ A deductible is the portion of an insured' loss, which the insured must pay, and as the term infers, is deducted from the limits of liability under a policy of insurance.



Self-Insured Retention

- ◆ A self-insured retention is the amount of risk exposure carried by the insured, generally by establishment of a special fund to pay losses, whereby amounts are expended before an excess policy will provide coverage for losses in excess of the insured's self-insurance fund.



Number 2

Action Against Us



Action Against Us

- ◆ LRS 22:655.B. grants an injured person or their legal representatives a right of direct action against the insurer.



NUMBER 1

Blank Endorsements



Blank Endorsements

- ◆ Blank endorsements are not allowed or approved in Louisiana. LRS 22:620



DISCLAIMER

- ◆ Our top 12 reasons are in no particular order.



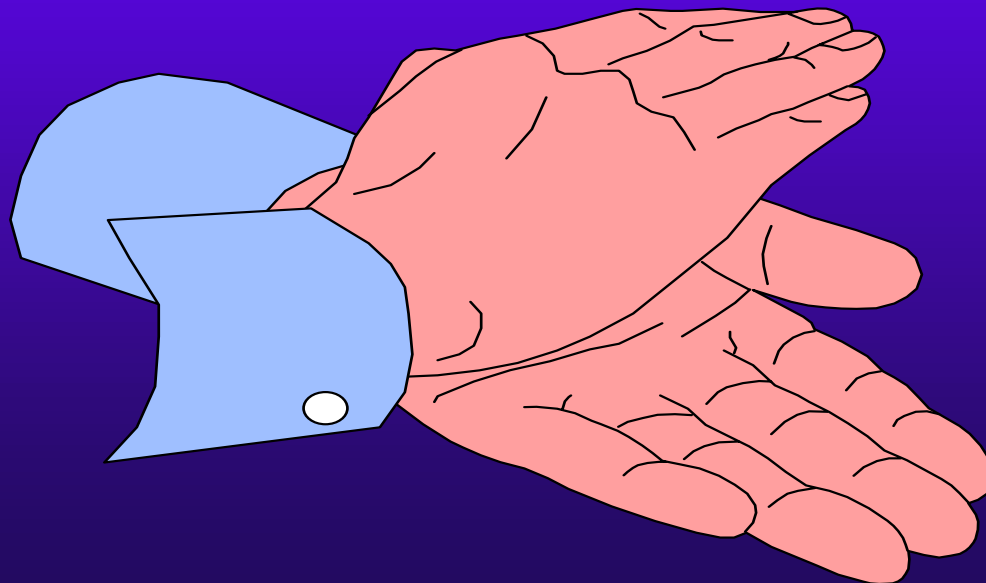
Form Division and Rating Division “The Connection”

Clarissa A. Preston
Forms/Rating Liaison



**The Policy Form Division and the
Rating Division** are working
“hand-in-hand”

to synchronize the dispositions made to
your form filings and rate/rule filings.





To act in unison

- ◆ Examiners from both divisions communicate with each other to keep up with trend changes in each section.
- ◆ A liaison has been charged with coordinating this information and keeping both divisions informed of new policies and/or Departmental positions made as a result of these trends
- ◆ Forms are being reviewed noting the rate impact to the insured.
- ◆ If the form language is found to be unclear or there are no approved forms for use with the rate/rule, the filing may be held in abeyance.



How to tie the filings together

Policy Form Filing

1. Reference the Rate/Rule filing Number
2. Discuss Rate/Rule impact in the filing memorandum
3. Note the Rate/Rule approval date

Rate/Rule Filing

1. Reference the Form filing number
2. Give a brief explanation of the forms content
3. Note the Form filing approval date



Form language that can effect the Rate/Rule filing

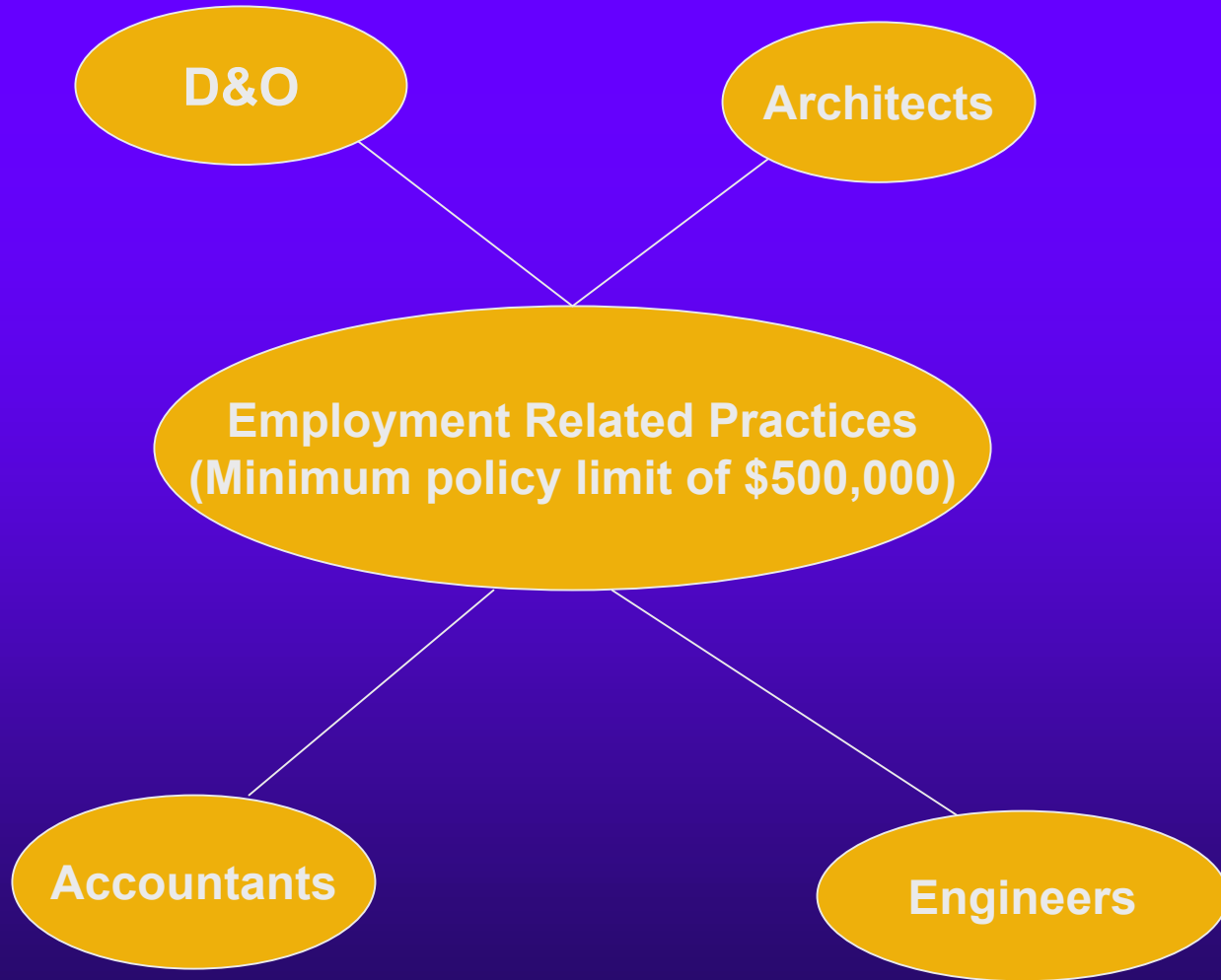
- ◆ Defense Costs
- ◆ SIR vs. Deductible
- ◆ Fully Earned Premium
- ◆ Premium Changes
- ◆ Premium Misquotes



Defense Costs

- ◆ Within the limits of liability
- ◆ Within the deductible
- ◆ No duty to defend

Defense Costs Within the Limits





Defense Costs within the deductible

- ◆ Lawyers Professional Liability
 - Including Title Agents
- ◆ Real Estate Agents Professional Liability
- ◆ Employment Related Practices Liability



No Duty to Defend

- ◆ Indemnity Only
- ◆ Excess
- ◆ True SIR

Self-Insured Retention

VS.

Deductible

- ◆ SIR — the amount of loss and loss expense that an insured assumes the financial responsibility for in order to have more control over their risk management/risk financing and lower their overall insurance cost. (paraphrased from St. Paul)
- ◆ Deductible — the portion of an insured loss, which the insured must pay and has deducted from the limits of liability.



Comparison

<u>SIR</u>	<u>Deductible</u>
Policy Limits are <u>not</u> reduced by the SIR	Policy limits <u>are</u> reduced by the deductible
Claims are handled by the insured and are only reported to the company if amount is expected to exceed the retained limit	All claims are reported to the insurer and the insurer provides defense of the insured
The insured is liable to pay the amount of its retained limit directly to the claimant. The insurer is not obligated to “drop down” and assume the insolvent insured’s liability	The insurer is liable to pay covered losses up to its full policy limit and must seek reimbursement of the deductible amount from the insolvent insured.





Fully Earned Premium

- ◆ Only non-cancelable policies may have fully earned premiums.
- ◆ If the policy allows for cancellation by either the insurer or the insured, then the insurer is bound to return the unused premium in accordance with the cancellation statutes.
- ◆ Premiums are not to be considered fully earned even if the cancellation occurs subsequent to a claim being paid under a policy
(does not apply to VMB's)




Premium Changes

- ◆ An insurer is required to mail or deliver a 30-day notice of an additional premium for policies which have been in effect for less than 90 days (commercial property, casualty or liability policies) 22:1464.A
- ◆ An insurer is required to mail or deliver a written notice of any change in the rate, deductible or limits of coverage at least 30 days prior to the expiration date of the policy (for certain commercial coverages)



Premium Misquote

- ◆ In the event that a producer incorrectly states the premium amount for an automobile liability policy, the insured may cancel the policy and shall be refunded the initial premium paid.
 - NOTE: As defined in L.R.S. 22:636.1.A.(1)
- ◆ This initial premium shall include fees and costs, less the prorated cost for the period of time the coverage was in place at the initial stated premium



Importance of making a comprehensive filing

- ◆ It will expedite the review process because examiners will have access to the information submitted to the other divisions
- ◆ Form filings and Rate/Rule filings will have similar disposition dates
- ◆ Staff will have less “requests for additional information”

Please complete the evaluation
survey for this section.



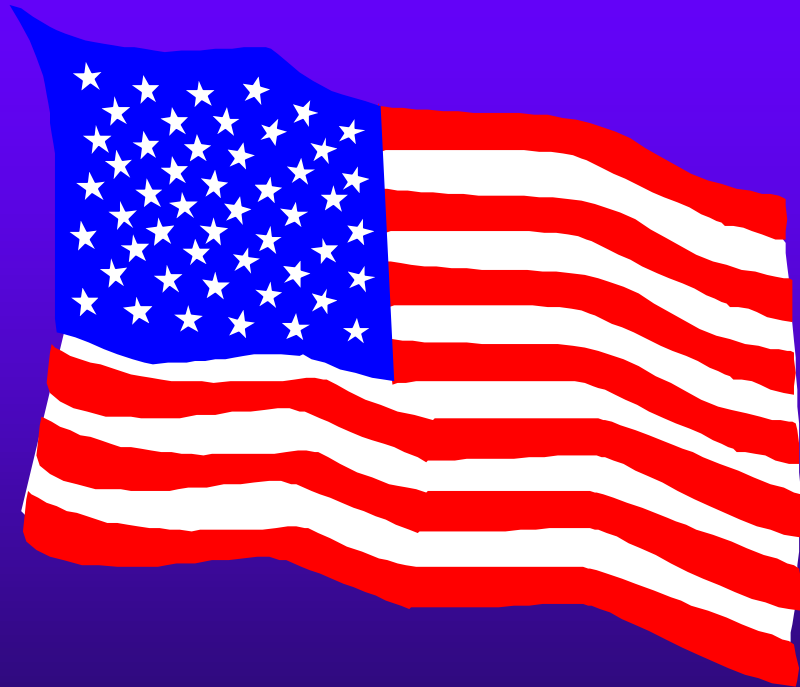
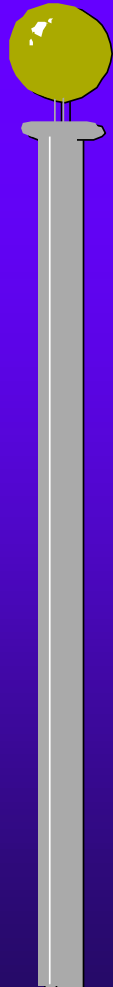
Pollution Advisory Letter



Mold Advisory Letter



Terrorism Advisory Letter



Please complete the evaluation
survey for this section.





Additional Disapproval Reasons



Choice of Law

- ◆ No insurance contract issued for delivery in Louisiana and covering Louisiana subjects or residents, or to be performed in Louisiana, shall deprive the courts of this state of jurisdiction of an action against an insurer.



Cancellation by Insured

- ◆ If cancellation is at the insured's request, there can be a minimum premium. But if the company cancels, cancellation provisions are pro rata with no minimum premium and must be so stated in the policy.



Unreasonable Time Limits

- ◆ Inaction on the part of the insured cannot be grounds for forfeiture of coverage, unless the insurer proves actual prejudice because of said inaction. Therefore, language that places unreasonable time limits on the insured will not be allowed. This problem can be corrected by adding the following language: “within ‘x’ days/hours, or as soon as practicable.



Ten Point Type

- ◆ A policy shall be not be less than 10 point type.



Appraisal

- ◆ An appraisal provision that limits the parties' ability to seek other remedies cannot be approved. A mandatory binding appraisal is similar to mandatory binding arbitration because it removes a matter in dispute from the jurisdiction of the courts.



Representations & Warranties

- ◆ Representations and warranties cannot be DEEMED material and misrepresentations cannot void the policy or defeat coverage unless: (1) the statement is false, (2) it was made with the intent to deceive, and (3) it is material to the risk. (LRS 22:619.A. and jurisprudence which changes the "or" in the statute to "and".)



Duty to Defend

- ◆ An insurer's duty to defend ends when their limit of liability has been exhausted by the payment of a judgement or settlement. Accordingly, your duty to settle or defend does not necessarily end when your limit of liability has simply been exhausted.



Arbitration

- ◆ LRS 22:629A prohibits an insurance contract issued for delivery or delivered in Louisiana from containing a stipulation, condition, or agreement that deprives the courts of Louisiana of the jurisdiction of action against the insurer. Binding mandatory arbitration clauses are not allowed because they deprive the courts of their right to hear a case.



Regulations, Bulletins,
Advisory Letter, Etc.



Commercial De-regulation

Regulation 72

Questions



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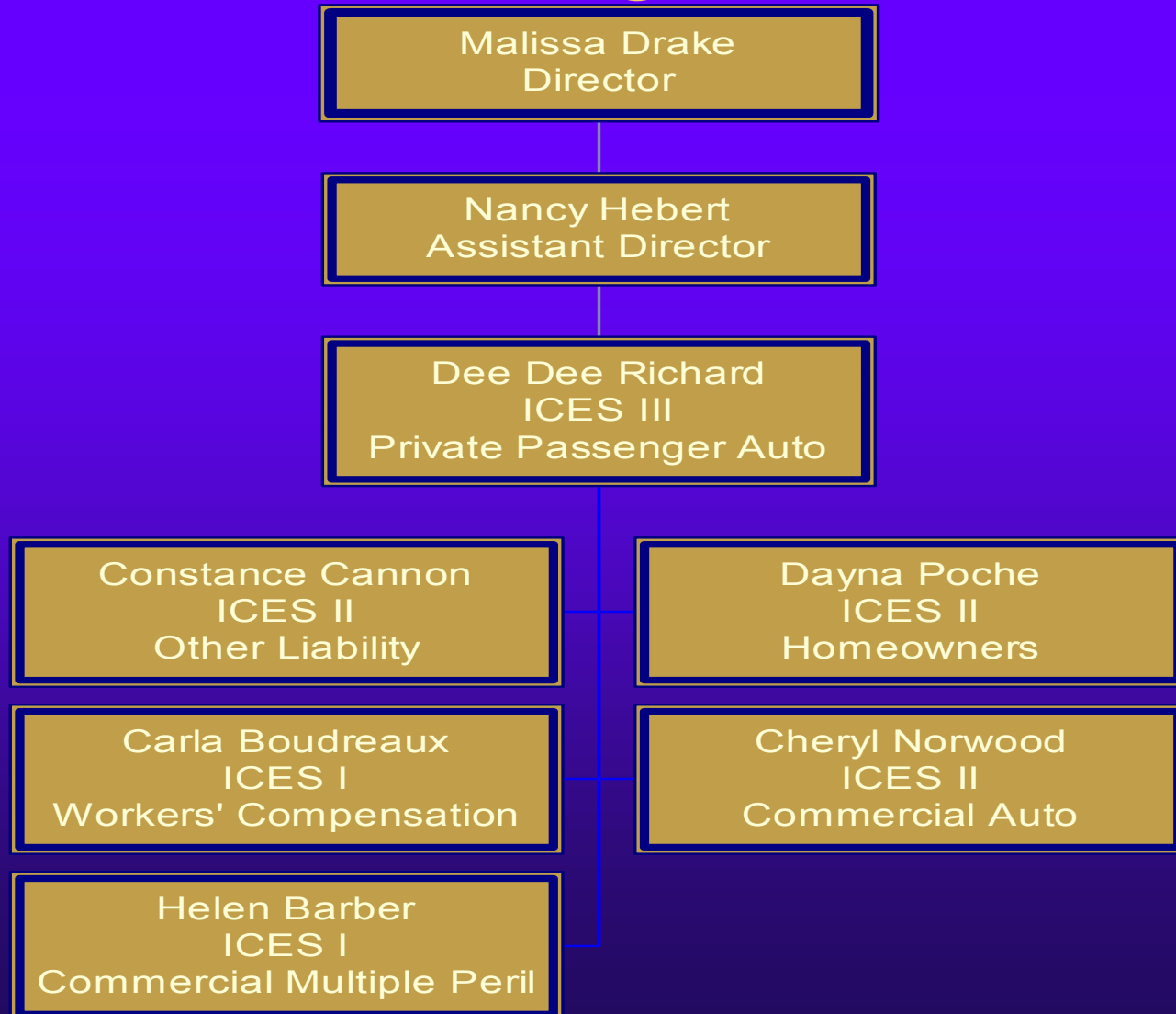




Rate & Rule Filing Session



Insurance Rating Division





Send Filings To:

- ◆ Paula P. Davis, Deputy Commissioner
- ◆ Office of Property and Casualty
- ◆ Insurance Rating Division
- ◆ 950 North 5th Street
- ◆ P.O. Box 94157
- ◆ Baton Rouge, Louisiana 70804-9157



FILING REVIEW PROCESS





Filing Review Process

- ◆ Filing received prior to cut-off date
- ◆ Receipt of complete filing
- ◆ Filing Review

LIRC AGENDA

- ◆ Legal Review
- ◆ Actuarial Review



Review Standards

- ◆ L.R.S. Title 22
- ◆ Filing Handbook
- ◆ LIRC Bulletins
- ◆ DOI Guidelines
- ◆ Public Interest



Filing Requirements





Complete Filing

- ◆ 3 copies required
- ◆ Cover letter
- ◆ Property & Casualty Transmittal Form
- ◆ Explanatory Memorandum
- ◆ One self-addressed, stamped envelope
- ◆ Mandatory exhibits
- ◆ Copy of last action letter
- ◆ Proposed manual pages



The Cover Letter

- ◆ Line of Business
- ◆ Company's filing reference number
- ◆ Purpose of the filing
- ◆ Requested effective date
- ◆ Requested rate change (if applicable)
- ◆ Dollar impact of change (if applicable)
- ◆ Last Filing Request
- ◆ Contact information



Explanatory Memorandum Rate Revision

- ◆ Detailed description of proposed changes
- ◆ Impact of changes
 - Base premium
 - Coverage
 - Classification
 - Territory
 - Limits
 - Deductible



Explanatory Memorandum Rate Revision

◆ Deviations

- Between Companies
- From rating organization



Rate Revision

- ◆ Exhibits A.1 and A.2
- ◆ Exhibit B
- ◆ Actuarial Analysis
- ◆ Exhibit C.1 or C.2 (if applicable)
- ◆ Exhibit F (if applicable)
- ◆ Exhibit H (PPA & HO only)
- ◆ Exhibit I (PPA & HO only)
- ◆ Exhibit J (Medical Malpractice only)



Explanatory Memorandum Rule Revision

- ◆ What are the proposed changes?
- ◆ Is the coverage optional?
- ◆ What are the effects on the policy?
- ◆ Is there a corresponding policy form change?
- ◆ Is the corresponding policy form approved?
- ◆ Does this result in a coverage change?
- ◆ Is there a rate impact?



Rule Revision

- ◆ Marked Manual pages
 - Cross through deletions
 - Underline additions
- ◆ Comparison of old and new coverage

Time Frames

Company
(90 days)

- ◆ Disapproved
 - On Agenda
- ◆ Withdrawn
 - Not On Agenda

Dept. of Insurance
(45 days)

- ◆ Approve or Disapprove
- ◆ Deemed Approved
 - Not on Agenda





LIRC Bulletins

- ◆ Legislative Mandates
- ◆ Required Exhibits
- ◆ Experience Requests
- ◆ Other useful information



LIRC Bulletins of Interest

LIRC BULLETIN	SUBJECT
95-01 Revised	Pleasure Boat guidelines
95-06	Group Self Insurers Fund filing procedures
98-05	Confirmation of Coverage
98-06	Contact List
99-02	Computer Model Interrogatories
00-01	Policy fee standards



Rating Issues

- ◆ Credit Scoring
- ◆ Producer Commissions
- ◆ Fees
 - Policy Fees
 - NSF Fees
- ◆ Hurricane Deductibles
- ◆ Terrorism Exclusions
- ◆ Mold Exclusions
- ◆ Pollution Exclusions

We don't know, if you don't tell us.





LIRC Action

- ◆ Approval
 - As filed
 - Amended by LIRC
 - Amended by company
- ◆ Approval contingent upon
- ◆ Disapproval
- ◆ Deferral

Please complete the evaluation
survey for this section.





Break sponsored by:

- ◆ **PIAL**

Property Insurance Association of Louisiana

- ◆ **LAIP**

Automobile Assigned Risk Plan

- ◆ **Coastal Plan**

Louisiana Insurance Underwriting Association

- ◆ **FAIR Plan**

Louisiana Joint Reinsurance Plan



Actuarial Analysis

Presented by

Dan Davis, FCAS, MAAA

Please complete the evaluation
survey for this section.





Consumer Affairs

Presented by

Neysa P. Hurst – Assistant Director

Forms and Compliance Division



The Cycle





Complaint Reasons

- ◆ Form Language
- ◆ Rate Increases
- ◆ Rule Changes
- ◆ Claims Settlements



Top Complaint Reasons

Automobile

- ◆ Claim payments
- ◆ “Bad agents”

Homeowners

- ◆ Cancellation
Non-renewal
- ◆ Claim payments

Questions



Please complete the evaluation
survey for this section.



Our Door is always Open!!





Sponsors

Alliance of American Insurers

American Insurance Association

Independent Insurance Agents of Louisiana

National Association of Independent Insurers

Property Insurance Association of Louisiana

Professional Insurance Agents of Louisiana